

## Auditing Procedures Report

Instructions and MuniCodes

\* = Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.05)

Unit Name* Village of Springport	County* JACKSON	Type* OTHER	MuniCode* 38-3-070
Opinion Date-Use Calendar* Jul 23, 2008	Audit Submitted-Use Calendar* Aug 22, 2008	Fiscal Year End Month* 02	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

- ☒ ☐ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ ☐ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☐ ☐ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ ☐ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ ☐ 5. Did the local unit adopt a budget for all required funds?
- ☒ ☐ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ ☐ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ ☐ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ ☐ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ ☐ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ ☐ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☐ ☐ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ ☐ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it?
- ☒ ☐ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ ☐ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ ☐ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☒ ☐ 18. Are there reported deficiencies? ☒ 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="\$ 211,685.00"/>
General Fund Expenditure:	<input type="text" value="\$ 171,791.00"/>
Major Fund Deficit Amount:	<input type="text" value="\$ 0.00"/>

General Fund Balance:	<input type="text" value="\$ 204,583.00"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="\$ 4,973.00"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Christine	Last Name* Ward	Ten Digit License Number* 1101029098		
CPA Street Address* 2545 Spring Arbor Road	City* Jackson	State* MI	Zip Code* 49203	Telephone* +1 (517) 788-8660
CPA Firm Name* Willis & Jurasek, P.C.	Unit's Street Address* 137 East Main Street	Unit's City* Springport	Unit's Zip* 49284	

# **Village of Springport**

Financial Statements  
And Independent Auditors' Report

Year Ended February 29, 2008

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## Independent Auditors' Report

Members of the Village Council  
Village of Springport  
Springport, Michigan

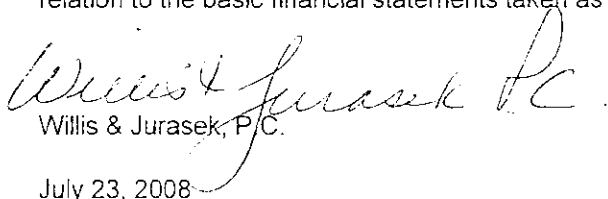
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the component unit, and the aggregate remaining fund information of the Village of Springport as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the component unit, and the aggregate remaining fund information of the Village of Springport as of February 29, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the financial statements but are supplemental information required by the accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Springport's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Willis & Jurasek, P.C.  
July 23, 2008

**WILLIS & JURASEK, P.C.**

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**Village of Springport**  
Management's Discussion and Analysis  
Year Ended February 29, 2008

As management of the **Village of Springport**, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended February 29, 2008.

**The Village as a Whole**

The Village's net assets are stable after the past two years of improvement, despite falling property values and continuous rising of operational costs. The Village has been able to provide primary services to our residents utilizing as many cost-cutting methods as possible. The Village office, which had been a rental, was sold to the Village for one dollar (\$1) in January, 2008, increasing our assets and giving the Village additional room, some of which will be used for a small museum for Springport's history. This will be administered by members of the Springport Area Growth Association under direction of the Village Manager and Council.

Governmental and Business-type activities during the past year have suffered a low due to several home repossessions and business slow downs. Even though our water and waste water capacities have been established for growth, the economy has failed to provide the tools for growth to happen.

After completion of our Streetscape, some local business, residential and building owners began improvements on their properties. Unfortunately, the Michigan economy has slowed even that process. Major roads remain in good shape; however, given our location within the State, traffic here is not as busy as it once was. Due to financial restraints, the Village has not been able to improve side street storm water drainage as had been planned.

We continue to make improvements to our sidewalk system in the form of application to the Fitness Council of Jackson County for addition of sidewalks on Green Street as far as the apartment complex. This application has been approved and will also include new sidewalk on East Main joining the walk put in when the Streetscape and repaving of M-99 was completed. Within this application is also replacement of other sidewalks in the Village that have become unsafe. This will insure safety to all Village walking residents and school children.

The DDA was completed and realized its first contribution during the past year. It was not as much as was hoped due to the decline of property values, but will, in future years, provide services to our Village that would not be possible without the additional funds. The Springport Area Growth Association continues to be an integral part of providing extras to our community through their fund-raising activities.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Village of Springport**  
Management's Discussion and Analysis  
Year Ended February 29, 2008

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include legislative, general government, public works and community and economic development. The business-type activities are water and sewer.

The government-wide financial statements can be found on pages 1-2 of this report

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street and local street, each of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

**Proprietary funds.** The Village maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sanitary sewer and water distribution systems. *Internal service funds* account for operations that provide services for equipment rental and accumulate and allocate costs internally among the Village's various functions. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for two major enterprise funds; water and sewer, plus the internal service fund. The basic proprietary fund financial statements can be found on pages 7-9 of this report.

**Village of Springport**  
Management's Discussion and Analysis  
Year Ended February 29, 2008

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 10 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-21 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other information. This includes combining fund financial statements and schedules, which can be found on pages 25-26 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Springport, assets exceeded liabilities by \$3,854,569 at the close of the most recent fiscal year.

By far the largest portion of the Village's net assets, about eighty-seven percent (87%), reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In a condensed format, the table below shows net assets as of the current date:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Non-capital assets	\$ 346,788	\$ 312,804	\$ 182,065	\$ 154,525
Capital assets	<u>182,356</u>	<u>209,786</u>	<u>4,726,779</u>	<u>4,814,073</u>
Total assets	<u>529,144</u>	<u>522,590</u>	<u>4,908,844</u>	<u>4,968,598</u>
Current liabilities	16,350	17,286	86,818	97,426
Non-current liabilities	<u>1,906</u>	<u>4,964</u>	<u>1,478,345</u>	<u>1,547,171</u>
Total liabilities	<u>18,256</u>	<u>22,250</u>	<u>1,565,163</u>	<u>1,644,597</u>
Net assets:				
Invested in capital assets -				
net of related debt	177,383	201,982	3,165,469	3,181,568
Restricted	13,937	23,958	101,278	70,030
Unrestricted	<u>319,568</u>	<u>274,400</u>	<u>76,934</u>	<u>72,403</u>
Total net assets	<u>\$ 510,888</u>	<u>\$ 500,340</u>	<u>\$3,343,681</u>	<u>\$3,324,001</u>

**Village of Springport**  
Management's Discussion and Analysis  
Year Ended February 29, 2008

The following table shows the changes of the net assets as of the current date.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program revenues				
Charges for services	\$ 9,503	\$ 4,711	\$ 316,515	\$ 328,764
Capital grants and contributions	-	-	51,066	175,401
Operating grants	45,997	46,093	-	-
General revenues				
Property taxes	107,152	102,754	-	-
State-shared revenue	87,971	89,770	-	-
Interest income	11,055	7,317	3,183	1,511
Other	<u>23,374</u>	<u>21,972</u>	<u>8,603</u>	<u>14,605</u>
Total revenues	<u>285,052</u>	<u>272,617</u>	<u>379,367</u>	<u>520,281</u>
Program expenses:				
Legislative	9,825	9,082	-	-
General government	99,986	90,181	-	-
Public works	164,504	124,605	-	-
Recreation and culture	190	-	-	-
Community development	-	-	-	-
Water and sewer	<u>-</u>	<u>-</u>	<u>359,688</u>	<u>404,629</u>
Total expenses	<u>274,505</u>	<u>223,868</u>	<u>359,688</u>	<u>404,629</u>
Changes in net assets	\$ <u>10,547</u>	\$ <u>48,749</u>	\$ <u>19,679</u>	\$ <u>115,652</u>

The Village's net assets continue to grow.

**Governmental Activities**

Total revenues have increased slightly due to increased property valuation due to home sales in 2007, along with other small increases that offset the decrease of revenue sharing. We continue to receive a fair rate of return on our investments; however, these are beginning to decline with the economy. In the meantime, every effort is being made to carefully budget our available funds and maintain a stable cash flow.

**Business-Type Activities**

The Village's business-type activities consist of the Water and Sewer Enterprise Funds. The Village provides water and sewer service to approximately 99% of the Village residents. Our Water Fund has been stable due to the fact that our system is reasonably new; however, the loss of residents is quickly taking a toll on our income. To counter this, we recently raised rates slightly and have found cost-savings in our personnel and operational budgets. The waste water rates were recently increased as there had not been an increase in several years. We will, at some point, have to look at the method of discharge and will need to upgrade our whole system. Once again, due to the economy, our interest in increasing our population seems to be at a standstill.



**Village of Springport**  
Management's Discussion and Analysis  
Year Ended February 29, 2008

**General Fund Budgetary Highlights**

Over the course of the year, approximately quarterly, the Village Manager recommends amendments to the budget to take into account unforeseen events happening during the year.

**Capital Asset and Debt Administration**

At the end of the 2007/2008 fiscal year, the Village had a total investment of capital assets for its governmental and business-type activities of \$4,909,135, which is made up of a broad range of capital assets, including buildings, water and sewer structures, both above and below ground, and significant investments in streets.

There were no major capital asset events during the current fiscal year.

The following table summarizes the fixed assets of the Village as of the current year-end:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Machinery and equipment	\$ 337,722	\$ 337,722	\$ 19,138	\$ 19,138
Distribution and collection systems	-	-	5,675,491	5,675,491
Infrastructure	177,696	177,696	-	-
Accumulated depreciation	<u>(333,062)</u>	<u>(305,632)</u>	<u>(967,850)</u>	<u>(880,556)</u>
Net capital assets	<u>\$ 182,356</u>	<u>\$ 209,786</u>	<u>\$4,726,779</u>	<u>\$4,814,073</u>

Most of the indebtedness is chargeable to the business-type activities.

The following table summarizes the debt outstanding at the current year-end:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue bonds	\$ -	\$ -	\$1,547,172	\$1,615,998
Installment purchase agreements	<u>4,973</u>	<u>7,804</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>\$ 4,973</u>	<u>\$ 7,804</u>	<u>\$1,547,172</u>	<u>\$1,615,998</u>

The Village's total debt decreased by \$71,657.

**Village of Springport**  
Management's Discussion and Analysis  
Year Ended February 29, 2008

**Economic Factors and Next Year's Budgets and Rates**

For several years, the Village has not seen an increase in millage. During the past year, property abandonment has been causing an even larger slump in our revenue. However, as our tax ratio is already the highest in the County, we will try to refrain from any tax increase. At the present time, the only fluctuating tax is that of the 1999 Waste Water Bond which varies by amount payable for the year.

The DDA is now in place; however, valuations on some of the property in the DDA area are down, causing a smaller amount in captured funds for the year.

**Contacting the Village Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village office.

**Village of Springport**  
**Statement of Net Assets**  
February 29, 2008

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Downtown Development Authority</b>
<b>Assets:</b>				
Cash and investments	\$ 289,438	\$ 151,444	\$ 440,882	\$ 879
Receivables	33,772	36,560	70,332	968
Internal balances	23,578	(27,414)	(3,836)	-
Deferred charges	-	21,475	21,475	-
Capital assets, net				
Being depreciated	182,356	4,726,779	4,909,135	-
Total assets	529,144	4,908,844	5,437,988	1,847
<b>Liabilities:</b>				
Accounts payable	11,141	3,234	14,375	-
Accrued expenses	2,142	619	2,761	-
Accrued interest	-	14,138	14,138	-
Noncurrent liabilities:				
Due within one year	3,067	68,827	71,894	-
Due in more than one year	1,906	1,478,345	1,480,251	-
Total liabilities	18,256	1,565,163	1,583,419	-
<b>Net Assets:</b>				
Invested in capital assets,				
net of related debt	177,383	3,165,469	3,342,852	-
Restricted for debt service	-	101,278	101,278	-
Restricted for capital projects	13,937	-	13,937	-
Unrestricted	319,568	76,934	396,502	1,847
Total net assets	\$ 510,888	\$ 3,343,681	\$ 3,854,569	\$ 1,847

See Notes to Financial Statements.

**Village of Springport**  
Statement of Activities  
Year Ended February 29, 2008

Functions/Programs	Program Revenues				Net (Expenses) Revenues and		Component
	Charges	Operating	Capital		Changes in Net Assets	Unit	
	for Services	Grants and Contributions	Grants and Contributions		Activities	Activities	DDA
<b>Primary Government</b>							
Governmental activities:							
Legislative	\$ 9,825	\$ 143	\$ -	\$ -	(9,682)	\$ -	(9,682)
General government	99,986	-	-	-	(99,986)	-	(99,986)
Public works	164,504	9,360	45,997	-	(109,147)	-	(109,147)
Recreation and culture	190	-	-	-	(190)	-	(190)
Total governmental activities	274,505	9,503	45,997	-	(219,005)	-	(219,005)
Business-type activities:							
Water	224,148	189,437	-	1,154	-	(33,557)	(33,557)
Sewer	135,540	127,078	-	49,912	-	41,450	41,450
Total business-type activities	359,688	316,515	-	51,066	-	7,893	7,893
Total primary government	\$ 634,193	\$ 326,018	\$ 45,997	\$ 51,066	(219,005)	7,893	(211,112)
<b>Component Unit</b>							
Downtown Development Authority	\$ 439	\$ -	\$ -	\$ -	-	\$ -	439
General revenues:							
Property taxes					107,152	-	107,152
State shared revenue					87,971	-	87,971
Interest and investment earnings					11,055	3,183	14,238
Other revenues					23,374	8,603	31,977
Total general revenues					229,552	11,786	241,338
Changes in Net Assets					10,547	19,679	30,226
Net Assets - Beginning of Year					500,341	3,324,002	3,824,343
Net Assets - End of Year					\$ 510,888	\$ 3,343,681	\$ 3,854,569

**Village of Springport**  
Balance Sheet  
Governmental Funds  
February 29, 2008

	Other Nonmajor				
	General	Major Street	Local Street	Governmental Funds	Total
<b><u>Assets</u></b>					
Cash and investments	\$ 155,073	\$ 21,070	\$ 11,231	\$ 67,061	\$ 254,435
Receivables:					
Taxes receivable	13,639	-	-	753	14,392
Accounts receivable	408	-	-	-	408
Due from other governmental units	10,613	6,357	1,924	-	18,894
Due from other funds	<u>31,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,983</u>
Total assets	<u>\$ 211,716</u>	<u>\$ 27,427</u>	<u>\$ 13,155</u>	<u>\$ 67,814</u>	<u>\$ 320,112</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts payable	\$ 1,737	\$ -	\$ -	\$ 5,720	\$ 7,457
Due to other funds	3,810	1,222	682	282	5,996
Salaries payable	<u>1,586</u>	<u>212</u>	<u>94</u>	<u>65</u>	<u>1,957</u>
Total liabilities	<u>7,133</u>	<u>1,434</u>	<u>776</u>	<u>6,067</u>	<u>15,410</u>
Fund Balances:					
Reserved:					
Perpetual care and endowment	-	-	-	47,810	47,810
Unreserved; undesignated	204,583	25,993	12,379	-	242,955
Unreserved; undesignated- reported in nonmajor:					
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,937</u>	<u>13,937</u>
Total fund balances	<u>204,583</u>	<u>25,993</u>	<u>12,379</u>	<u>61,747</u>	<u>304,702</u>
Total liabilities and fund balances	<u>\$ 211,716</u>	<u>\$ 27,427</u>	<u>\$ 13,155</u>	<u>\$ 67,814</u>	<u>\$ 320,112</u>

## Village of Springport

### Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets February 29, 2008

<b>Total Fund Balances - Governmental Funds</b>	\$	304,702
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Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds.

The cost of the capital assets is

\$ 515,418

Accumulated depreciation is

(333,062)

182,356

Internal service funds are used by management to charge the costs of certain  
equipment usage and administrative costs to individual governmental funds.  
The assets and liabilities of the internal service funds are included in governmental  
activities in the Statement of Net Assets.

Net assets of governmental activities accounted for in the internal service fund

28,803

Long-term liabilities not due and payable in the current period  
and not reported in the funds:

Notes and leases payable

(4,973)

**Total Net Assets - Governmental Activities**

\$ 510,888

**Village of Springport**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>					
Taxes	\$ 99,323	\$ -	\$ -	\$ 7,829	\$ 107,152
Fees and fines	100	-	-	43	143
Charges for services	-	-	-	9,360	9,360
Intergovernmental	87,971	35,383	10,614	-	133,968
Interest	4,970	878	152	3,295	9,295
Other	<u>19,321</u>	<u>338</u>	<u>-</u>	<u>-</u>	<u>19,659</u>
Total revenues	<u>211,685</u>	<u>36,599</u>	<u>10,766</u>	<u>20,527</u>	<u>279,577</u>
<b>Expenditures:</b>					
Legislative	9,825	-	-	-	9,825
General government	82,133	-	-	17,853	99,986
Public works	79,643	29,520	12,918	10,884	132,965
Culture and recreation	<u>190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190</u>
Total expenditures	<u>171,791</u>	<u>29,520</u>	<u>12,918</u>	<u>28,737</u>	<u>242,966</u>
<b>Revenues Over (Under) Expenditures</b>	<u>39,894</u>	<u>7,079</u>	<u>(2,152)</u>	<u>(8,210)</u>	<u>36,611</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	-	13,366	2,137	15,503
Operating transfers out	<u>(7,000)</u>	<u>(6,366)</u>	<u>-</u>	<u>(2,137)</u>	<u>(15,503)</u>
Total other financing sources (uses)	<u>(7,000)</u>	<u>(6,366)</u>	<u>13,366</u>	<u>-</u>	<u>-</u>
<b>Changes in Fund Balances</b>	<u>32,894</u>	<u>713</u>	<u>11,214</u>	<u>(8,210)</u>	<u>36,611</u>
<b>Fund Balances - Beginning of Year</b>	<u>171,689</u>	<u>25,280</u>	<u>1,165</u>	<u>69,957</u>	<u>268,091</u>
<b>Fund Balances - End of Year</b>	<u>\$ 204,583</u>	<u>\$ 25,993</u>	<u>\$ 12,379</u>	<u>\$ 61,747</u>	<u>\$ 304,702</u>

**Village of Springport**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended February 29, 2008

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	36,611
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Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the  
Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	\$	(8,885)	
Capital outlay		<u>-</u>	(8,885)

An internal service fund is used by management to charge the costs of  
certain equipment usage to individual governmental funds. The net revenue  
(expense) of the fund attributable to those funds is reported with  
governmental activities.

Change in net assets from governmental activities in the internal service fund		<u>(17,179)</u>
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<b>Change in Net Assets of Governmental Activities</b>	\$	<u>10,547</u>
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**Village of Springport,**  
Statement of Net Assets  
Proprietary Funds  
February 29, 2008

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Water	Sewer	Total	Internal Service Fund
<b>Assets:</b>				
Current assets:				
Cash	\$ 53,415	\$ 63,915	\$ 117,330	\$ 35,003
Investments	34,114	-	34,114	
Accounts receivable	14,367	22,193	36,560	78
Total current assets	101,896	86,108	188,004	35,081
Property, plant and equipment:				
Distribution and collection systems	3,685,687	2,008,942	5,694,629	-
Buildings and equipment	-	-	-	337,722
Less accumulated depreciation	(344,313)	(623,537)	(967,850)	(305,332)
Total property, plant and equipment	3,341,374	1,385,405	4,726,779	32,390
Deferred charges:				
Unamortized bond discount	12,512	8,963	21,475	-
Total assets	3,455,782	1,480,476	4,936,258	67,471
<b>Liabilities:</b>				
Current liabilities (payable from current assets):				
Accounts payable	1,297	1,937	3,234	3,684
Accrued expenses	417	202	619	185
Current portion of long-term debt	11,000	57,827	68,827	3,067
Accrued interest	7,584	6,554	14,138	-
Due to other funds	2,952	24,462	27,414	2,409
Total current liabilities (payable from current assets)	23,250	90,982	114,232	9,345
Noncurrent liabilities:				
Bonds and notes payable	1,000,000	478,345	1,478,345	1,906
Total noncurrent liabilities	1,000,000	478,345	1,478,345	1,906
Total liabilities	1,023,250	569,327	1,592,577	11,251
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	2,322,790	842,679	3,165,469	27,417
Restricted	41,637	59,641	101,278	-
Unrestricted	68,105	8,829	76,934	28,803
Total net assets	\$ 2,432,532	\$ 911,149	\$ 3,343,681	\$ 56,220

See Notes to Financial Statements.

**Village of Springport**  
Statement of Revenues, Expenses  
and Changes in Net Assets  
Proprietary Funds  
Year Ended February 28, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Water	Sewer	Total	
<b>Operating Revenues:</b>				
Charges for services	\$ 188,325	\$ 125,431	\$ 313,756	\$ 88,009
Interest and penalties	<u>1,112</u>	<u>1,647</u>	<u>2,759</u>	<u>-</u>
Total operating revenues	<u>189,437</u>	<u>127,078</u>	<u>316,515</u>	<u>88,009</u>
<b>Operating Expenses:</b>				
Personnel services	43,791	20,000	63,791	17,617
Payroll taxes	4,812	2,198	7,010	1,936
Employee benefits	11,961	4,521	16,482	5,822
Professional services	1,995	2,405	4,400	2,243
Utilities	15,120	18,076	33,196	-
Repairs and maintenance	6,273	6,408	12,681	26,514
Insurance and bonds	3,222	467	3,689	3,601
Operating supplies	6,022	2,581	8,603	2,813
Licenses and fees	3,670	-	3,670	-
Fuel and oil	-	-	-	15,258
Conferences	434	90	524	-
Memberships and dues	762	-	762	-
Mileage and travel	228	-	228	-
Office supplies	766	839	1,605	-
Equipment rent	29,110	12,881	41,991	-
Lab analysis	104	5,238	5,342	-
Miscellaneous	3,007	2,219	5,226	15,789
Depreciation and amortization	<u>46,962</u>	<u>41,989</u>	<u>88,951</u>	<u>18,545</u>
Total operating expenses	<u>178,239</u>	<u>119,912</u>	<u>298,151</u>	<u>110,138</u>
<b>Operating Income (Loss)</b>	<u>11,198</u>	<u>7,166</u>	<u>18,364</u>	<u>(22,129)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	2,463	720	3,183	1,760
Tax assessment collections	1,154	49,912	51,066	-
Other income	1,044	7,559	8,603	3,715
Interest expense	<u>(45,909)</u>	<u>(15,628)</u>	<u>(61,537)</u>	<u>(525)</u>
Total nonoperating revenues (expenses)	<u>(41,248)</u>	<u>42,563</u>	<u>1,315</u>	<u>4,950</u>
<b>Changes in Net Assets</b>	<u>(30,050)</u>	<u>49,729</u>	<u>19,679</u>	<u>(17,179)</u>
<b>Net Assets - Beginning of Year</b>	<u>2,462,582</u>	<u>861,420</u>	<u>3,324,002</u>	<u>73,399</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,432,532</u>	<u>\$ 911,149</u>	<u>\$ 3,343,681</u>	<u>\$ 56,220</u>

See Notes to Financial Statements.

**Village of Springport**  
Statement of Cash Flows  
Proprietary Funds  
Year Ended February 28, 2008

	Business-type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers, residents and users	\$ 191,257	\$ 123,036	\$ 314,293	\$ 87,931
Payments to suppliers	(88,414)	(65,232)	(153,646)	(71,622)
Payments to employees	(43,791)	(20,001)	(63,792)	(17,613)
Cash received from (paid to) other funds	4,393	(15,493)	(11,100)	573
Net cash provided by (used in) operating activities	<u>63,445</u>	<u>22,310</u>	<u>85,755</u>	<u>(731)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Purchase of capital assets, net	-	-	-	-
Principal and interest on capital debt	(56,990)	(75,742)	(132,732)	(3,356)
Net cash used by capital and related financing activities	<u>(56,990)</u>	<u>(75,742)</u>	<u>(132,732)</u>	<u>(3,356)</u>
<b>Cash Flows From Investing Activities:</b>				
Other nonoperating income received	2,198	57,471	59,669	3,715
Interest income received	579	720	1,299	1,760
Net cash provided by investing activities	<u>2,777</u>	<u>58,191</u>	<u>60,968</u>	<u>5,475</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	9,232	4,759	13,991	1,388
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>44,183</u>	<u>59,156</u>	<u>103,339</u>	<u>33,615</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 53,415</u>	<u>\$ 63,915</u>	<u>\$ 117,330</u>	<u>\$ 35,003</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ 11,198	\$ 7,166	18,364	\$ (22,129)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	46,962	41,989	88,951	18,545
Changes in:				
Accounts receivable	1,820	(4,042)	(2,222)	(78)
Accounts payable	(929)	(7,309)	(8,238)	2,355
Accrued expenses	-	(1)	(1)	4
Due to other funds	4,394	(15,493)	(11,099)	572
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 63,445</u>	<u>\$ 22,310</u>	<u>\$ 85,755</u>	<u>\$ (731)</u>

See Notes to Financial Statements

**Village of Springport**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
February 29, 2008

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 3,837
Advance due from other funds	<u>12,894</u>
Total assets	<u>\$ 16,731</u>
<b>Liabilities:</b>	
Due to other funds	\$ 9,057
Due to other agencies	<u>7,674</u>
Total liabilities	<u>\$ 16,731</u>

## **Village of Springport**

### Notes to Financial Statements

#### **1. Summary of Significant Accounting Policies**

##### **Description of Village Operations**

The Village of Springport, Michigan, was organized in 1882 and is located in the northwestern portion of Jackson County. The Village operates under a Council form of government and provides various services to its residents in many areas including community enrichment and development, human services and water and sewer. The financial statements of the Village of Springport have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

##### **Reporting Entity**

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, scope of public service, fiscal dependency, and special financial relationships. Education services are provided through the local school system, which is a separate governmental entity and, therefore, is not represented in the financial statements included herein.

##### **Component Units**

**Downtown Development Authority** – The Downtown Development Authority (DDA) was formed during the prior fiscal year to enhance the Village's business district by preservation, creation and implementation of the development plans in the district to be financed by taxes from properties within its district.

##### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Village of Springport**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Government-Wide and Fund Financial Statements (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Fund-Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

**General Fund** – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Major Street Fund** – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the Village.

**Local Street Fund** – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the local street functions of the Village.

**Village of Springport**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Government-Wide and Fund Financial Statements (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The government reports the following nonmajor funds:

**Cemetery Operations Fund** – This fund accounts for resources received from special assessment taxes levied for cemetery operations.

**Cemetery Trust Fund** – This fund accounts for resources received from the sale of cemetery lots for the purpose of providing capital improvements needed in the Village cemetery.

**Capital Improvements Fund** – This fund accounts for resources received from the general fund earmarked for public improvements

The government reports the following major proprietary funds:

**Water Fund** – The Water Fund accounts for the activities of the government's water production, purification, and distribution systems.

**Sewer Fund** – The Sewer Fund accounts for the activities of the government's sewage collection and treatment systems.

Additionally, the government reports the following fund types:

**Equipment Internal Service Fund** – The internal service fund accounts for operations that provide services (equipment rental) to other departments of the Village on a cost-reimbursement basis.

The Village reports the following Fiduciary Funds (not included in government-wide financial statements):

**Payroll Trust Fund** – This fund accounts for taxes and other employee deductions which are to be distributed to various organizations and other government units.

**Additional Financial Statement Presentation Information** - Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water and sewer enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

It is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

**Village of Springport**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Deposits and Investments** – Cash and cash equivalents include cash on hand and certificates of deposit.

The Village reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost. The Village had investments in certificates of deposit as of February 29, 2008.

State statutes authorize the Village to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

**Receivables and Payables** – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** – Certain proceeds of the enterprise funds' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements.



**Village of Springport**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and equipment	3 - 12
Infrastructure	10 - 30
Water and sewer distribution and collection	30 - 50

**Compensated Absences** – It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. Sick days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if the obligation is expected to be liquidated from expendable available financial resources. The Village has determined that the amount of accumulated sick days is immaterial and is not recorded in the government-wide financial statements.

**Long-Term Obligations** -- In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Village of Springport**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Property Taxes** - The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31, as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Jackson County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Village for 2007 had a taxable value of approximately \$8,700,000 (not including properties subject to Industrial Facilities Tax exemption), representing 50% of estimated current market value. The government's tax rate for fiscal year 2007-08 was 10.9606 mills for general operating, 0.8214 for cemetery operations and 5.2589 for sewer – debt service.

**2. Stewardship, Compliance and Accountability**

The general and special revenue funds are the governmental fund types under formal budgetary control. The Village adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general and special revenue funds budget is presented to Village Council in January, at which time hearings on the budget are scheduled. A Public Hearing is held in February and a special meeting is held to give all elected officials the opportunity to discuss their budget with the Council.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in February
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals. During the current year end certain actual expenditures exceeded budgeted amounts and are disclosed in the required supplementary information section.
- 6) Budgets for the current year are reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Council for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- 7) The Council has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments.

**Village of Springport**  
Notes to Financial Statements

**2. Stewardship, Compliance and Accountability (Continued)**

8) The budgetary information presented has been amended during the year by an official action of the Village Council. The amendments were not significant in total

9) All budget appropriations lapse at the end of each fund's fiscal year.

**3. Cash and Investments**

To facilitate better management of the Village's resources, cash is combined in a pooled operating account for much of the Village's activity.

At year-end, the Village's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Funds</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ <u>289,438</u>	\$ <u>151,444</u>	\$ <u>440,882</u>	\$ <u>3,837</u>	\$ <u>444,719</u>

The breakdown between deposits and investments for the Village is as follows:

Deposits (checking and savings accounts)	\$ 370,244
Certificates of deposit	<u>74,475</u>
Total	\$ <u>444,719</u>

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$248,517 of the Village's bank balance of \$432,742 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**4. Receivables**

Receivables of the governmental activities of the primary government at year end consisted of the following.

Other governmental units (primarily the State of Michigan)	\$ 18,894
Taxes	14,392
Other	<u>408</u>
	\$ <u>33,772</u>

**Village of Springport**  
Notes to Financial Statements

**5. Capital Assets**

Capital assets activity for the year ended February 29, 2008 was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets being depreciated:				
Machinery and equipment	\$ 337,722	\$ -	\$ -	\$ 337,722
Infrastructure	<u>177,696</u>	<u>-</u>	<u>-</u>	<u>177,696</u>
Total capital assets being depreciated	<u>515,418</u>	<u>-</u>	<u>-</u>	<u>515,418</u>
Accumulated depreciation:				
Machinery and equipment	286,787	18,545	-	305,332
Infrastructure	<u>18,845</u>	<u>8,885</u>	<u>-</u>	<u>27,730</u>
Total accumulated depreciation	<u>305,632</u>	<u>27,430</u>	<u>-</u>	<u>333,062</u>
Governmental activities capital assets - net	<u>\$ 209,786</u>	<u>\$(27,430)</u>	<u>\$ -</u>	<u>\$ 182,356</u>
<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Machinery and equipment	19,138	-	-	19,138
Distribution and collection	<u>5,675,491</u>	<u>-</u>	<u>-</u>	<u>5,675,491</u>
Total capital assets being depreciated	<u>5,694,629</u>	<u>-</u>	<u>-</u>	<u>5,694,629</u>
Accumulated depreciation	<u>880,556</u>	<u>87,294</u>	<u>-</u>	<u>967,850</u>
Total capital assets being depreciated - net	<u>4,814,073</u>	<u>(87,294)</u>	<u>-</u>	<u>4,726,779</u>
Business-type activities capital assets - net	<u>\$4,814,073</u>	<u>\$ (87,294)</u>	<u>\$ -</u>	<u>\$4,726,779</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
Public works	\$ 8,885
Capital assets held by the Village's internal service fund are charged to the various functions based on usage of the assets	<u>18,545</u>
Total depreciation expense – governmental activities	<u>\$ 27,430</u>

**Village of Springport**  
Notes to Financial Statements

**5. Capital Assets (Continued)**

Business-Type Activities:	
Sewer	\$ 40,498
Water	<u>46,796</u>
Total depreciation expense – business-type activities	<u>\$ 87,294</u>

**6 Interfund Receivables, Payables and Transfers**

The Village reports interfund balances between many of its funds. The sum of all interfund receivables/payables presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made

	<u>Receivable</u>	<u>Payable</u>
<b>Due from/to other funds:</b>		
General Fund	\$ 31,983	\$ 3,810
Major Street Fund	-	1,222
Local Street Fund	-	682
Nonmajor Governmental Funds	-	282
Internal Service Fund	-	2,409
Water Fund	-	2,952
Sewer Fund	-	24,462
Agency Fund	<u>12,893</u>	<u>9,057</u>
	<u>\$ 44,876</u>	<u>\$ 44,876</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Transfers:</b>		
Nonmajor Governmental Funds	\$ 2,137	\$ 2,137
Local Street	13,366	-
Major Street	-	6,366
General	<u>-</u>	<u>7,000</u>
	<u>\$ 19,711</u>	<u>\$ 19,711</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Village of Springport**  
Notes to Financial Statements

**7. Long-Term Debt**

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village.

Governmental activities - long-term obligation activity can be summarized as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b><u>Governmental Activities:</u></b>					
Internal Service Fund					
Installment purchase					
agreements	\$ <u>7,804</u>	\$ <u>-</u>	\$ <u>2,831</u>	\$ <u>4,973</u>	\$ <u>3,067</u>

The following is a summary of the general obligation debt outstanding of the Village as of February 29, 2008:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Installment Purchase Agreement	8.00%	2010	\$ <u>4,973</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ <u>3,067</u>	<u>286</u>	<u>3,353</u>
2010	<u>1,906</u>	<u>51</u>	<u>1,957</u>
	\$ <u>4,973</u>	\$ <u>337</u>	\$ <u>5,310</u>

Business-type activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b><u>Business-Type Activities:</u></b>					
Bonds	\$ <u>1,615,998</u>	\$ <u>-</u>	\$ <u>68,826</u>	\$ <u>1,547,172</u>	\$ <u>68,827</u>
<b><u>Business-Type Activities</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturing Through</u></b>	<b><u>Principal Outstanding</u></b>		
1990 Series Bonds	5.90 -- 7.15	2009	\$ 50,000		
Waste Water Disposal System Bonds	2.50	2020	486,172		
2004A Water Revenue Bonds	4.50	2044	890,000		
2004B Water Revenue Bonds	4.50	2044	<u>121,000</u>		
			<u>\$1,547,172</u>		

**Village of Springport**  
Notes to Financial Statements

**7. Long-Term Debt (Continued)**

Annual debt service requirements to maturity on the above business-type bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 68,827	\$ 60,815	\$ 129,642
2010	69,827	57,711	127,538
2011	45,827	54,565	100,392
2012	46,827	53,158	99,985
2013-2017	264,585	242,251	506,836
2018-2022	262,279	199,112	461,391
2023-2027	120,000	167,180	287,180
2028-2032	151,000	137,614	288,614
2033-2037	185,000	100,624	285,624
2038-2042	227,000	55,264	282,264
2043-2044	<u>106,000</u>	<u>7,200</u>	<u>113,200</u>
Total	<u>\$1,547,172</u>	<u>\$1,135,494</u>	<u>\$2,682,666</u>

**10. Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 29, 2008, the Village carried commercial insurance to cover all risks of losses. The Village had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

**11. Contingencies**

The Village is subject to legal action as a normal course of business. However, management, with counsel's assistance, vigorously upholds their position on any such action. The ultimate resolution of these matters is not ascertainable at this time. No provision has been made in the financial statements related to these claims.

**12. Segment Information – Enterprise Funds**

The government issued revenue bonds to finance certain improvements to its water and sewer distribution and treatment systems. Because the Water and Sewer Funds, which are individual funds that account entirely for the government's water distribution and treatment and sewage disposal and treatment activities, are segments, and are reported as major funds in the fund financial statements, segment disclosures herein are not required.

## Required Supplemental Information



**Village of Springport**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget to Actual**  
**General Fund**  
**Year Ended February 29, 2008**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues:</b>			
Taxes	\$ 103,369	\$ 97,138	\$ 100,485
Fees and fines	-	100	100
Intergovernmental	91,600	88,728	87,971
Interest	2,000	4,970	4,970
Other	<u>12,925</u>	<u>15,918</u>	<u>19,321</u>
Total revenues	<u>209,894</u>	<u>206,854</u>	<u>212,847</u>
<b>Expenditures:</b>			
Legislative:			
Council	<u>10,180</u>	<u>9,531</u>	<u>9,825</u>
General government:			
Village manager	7,465	6,195	6,514
Clerk	25,608	23,005	23,559
Treasurer	12,340	11,698	11,990
Building and grounds	<u>36,910</u>	<u>40,689</u>	<u>40,070</u>
Total general government	<u>82,323</u>	<u>81,587</u>	<u>82,133</u>
Public works:			
Public works	51,623	83,800	57,019
Street lighting	12,000	8,821	7,861
Refuse collection/disposal	<u>17,800</u>	<u>15,925</u>	<u>15,925</u>
Total public works	<u>81,423</u>	<u>108,546</u>	<u>80,805</u>
Community and economic development			
Planning and zoning	<u>1,600</u>	<u>190</u>	<u>190</u>
Total expenditures	<u>175,526</u>	<u>199,854</u>	<u>172,953</u>
<b>Revenues Over (Under) Expenditures</b>	<u>34,368</u>	<u>7,000</u>	<u>39,894</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	<u>(23,368)</u>	<u>(7,000)</u>	<u>(7,000)</u>
<b>Net Changes in Fund Balances</b>	11,000	-	32,894
<b>Fund Balances - Beginning of Year</b>	<u>171,689</u>	<u>171,689</u>	<u>171,689</u>
<b>Fund Balances - End of Year</b>	<u>\$ 182,689</u>	<u>\$ 171,689</u>	<u>\$ 204,583</u>

**Village of Springport**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Budget to Actual**  
**Major Street Fund**  
**Year Ended February 29, 2008**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues:</b>			
Intergovernmental:			
State shared revenue - gas and weight tax	\$ 35,700	\$ 35,456	\$ 35,383
Other:			
Interest	580	878	878
Other income	100	734	338
Total other income	680	1,612	1,216
Total revenues	36,380	37,068	36,599
<b>Expenditures:</b>			
Highways and streets:			
Personnel services	8,000	8,329	8,329
Payroll taxes	820	643	914
Employee benefits	1,780	1,942	1,942
Professional services	800	100	100
Insurance and bonds	850	790	850
Operating supplies	300	-	-
Office supplies	50	-	-
Sidewalks	5,000	725	724
Repairs and maintenance	2,100	4,065	2,553
Routine maintenance	-	80	80
Capital preventive	-	6,898	6,898
Preservation	-	1,500	1,500
Equipment rent	3,500	5,630	5,630
Miscellaneous	390	-	-
Total expenditures	23,590	30,702	29,520
<b>Revenues Over (Under) Expenditures</b>	12,790	6,366	7,079
<b>Other Financing Sources (Uses):</b>			
Operating transfers out	-	(6,366)	(6,366)
<b>Net Changes in Fund Balances</b>	12,790	-	713
<b>Fund Balances - Beginning of Year</b>	25,280	25,280	25,280
<b>Fund Balances - End of Year</b>	\$ 38,070	\$ 25,280	\$ 25,993

**Village of Springport**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget to Actual  
Local Street Fund  
Year Ended February 29, 2008

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues:</b>			
Intergovernmental:			
State shared revenue - gas and weight tax	\$ 9,733	\$ 10,584	\$ 10,614
Other:			
Interest	280	152	152
Other income	4,192	-	-
Total other income	4,472	152	152
Total revenues	14,205	10,736	10,766
<b>Expenditures:</b>			
Highways and streets:			
Personnel services	5,040	4,809	4,809
Payroll taxes	480	372	528
Employee benefits	1,050	1,031	1,031
Professional services	700	100	100
Insurance and bonds	820	600	600
Operating supplies	200	-	-
Office supplies	15	-	-
Sidewalks	15,000	6,500	-
Repairs and maintenance	400	1,199	542
Routine maintenance	2,400	-	-
Capital preventive	-	2,416	2,416
Preservation	-	1,095	1,095
Equipment rent	2,000	1,797	1,797
Miscellaneous	1,100	4,183	-
Total expenditures	29,205	24,102	12,918
<b>Revenues Over (Under) Expenditures</b>	(15,000)	(13,366)	(2,152)
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	15,000	13,366	13,366
<b>Net Changes in Fund Balances</b>	-	-	11,214
<b>Fund Balances - Beginning of Year</b>	1,165	1,165	1,165
<b>Fund Balances - End of Year</b>	\$ 1,165	\$ 1,165	\$ 12,379

## Other Supplemental Information

**Village of Springport**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
February 29, 2008

	Special Revenue		Capital	
	Funds		Project Fund	
	Cemetery	Cemetery	Capital	
	Operations	Trust	Improvements	Total
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 6,852	\$ 40,573	\$ 19,636	\$ 67,061
Taxes receivable	753	-	-	753
Total assets	<u>\$ 7,605</u>	<u>\$ 40,573</u>	<u>\$ 19,636</u>	<u>\$ 67,814</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts payable	\$ 21	\$ -	\$ 5,699	\$ 5,720
Due to other funds	282	-	-	282
Salaries payable	65	-	-	65
Total liabilities	<u>368</u>	<u>-</u>	<u>5,699</u>	<u>6,067</u>
Fund Balances:				
Reserved for perpetual care and endowment	7,237	40,573	-	47,810
Unreserved:				
Unreserved, undesignated	-	-	13,937	13,937
Total fund balances	<u>7,237</u>	<u>40,573</u>	<u>13,937</u>	<u>61,747</u>
Total liabilities and fund balances	<u>\$ 7,605</u>	<u>\$ 40,573</u>	<u>\$ 19,636</u>	<u>\$ 67,814</u>

**Village of Springport**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended February 29, 2008

	Special Revenue Funds		Capital Project Fund	
	Cemetery Operations	Cemetery Trust	Capital Improvements	Total
<b>Revenues:</b>				
Taxes	\$ 7,829	\$ -	\$ -	\$ 7,829
Fees and fines	43	-	-	43
Charges for services	6,710	2,650	-	9,360
Interest	295	2,137	863	3,295
Total revenues	14,877	4,787	863	20,527
<b>Expenditures:</b>				
General government	17,853	-	-	17,853
Public works	-	-	10,884	10,884
Total expenditures	17,853	-	10,884	28,737
<b>Revenues Over (Under) Expenditures</b>	(2,976)	4,787	(10,021)	(8,210)
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	2,137	-	-	2,137
Operating transfers out	-	(2,137)	-	(2,137)
Total other financing sources (uses)	2,137	2,137	-	-
<b>Changes in Fund Balances</b>	(839)	2,650	(10,021)	(8,210)
<b>Fund Balances - Beginning of Year</b>	8,076	37,923	23,958	69,957
<b>Fund Balances - End of Year</b>	\$ 7,237	\$ 40,573	\$ 13,937	\$ 61,747

**Village of Springport**  
Schedule of Bonded Indebtedness  
Sewer Fund  
February 28, 2008

**Waste Water Disposal system  
Revenue Bonds - Series 1990**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Payable</u>
1990	\$ 300,000				
		7.150%	11/1/2008	\$ 25,000	\$ 3,575
		7.150%	11/1/2009	25,000	1,788
				<u>\$ 50,000</u>	<u>\$ 5,363</u>

**Michigan Municipal Bond Authority  
Revenue Bonds - Series 1999**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Payable</u>
1999	\$ 689,687				
		2.500%	4/1/2008	\$ 32,827	\$ 11,744
		2.500%	4/1/2009	32,827	10,923
		2.500%	4/1/2010	32,827	10,103
		2.500%	4/1/2011	32,827	9,282
		2.500%	4/1/2012	37,517	8,403
		2.500%	4/1/2013	37,517	7,465
		2.500%	4/1/2014	37,517	6,527
		2.500%	4/1/2015	37,517	5,589
		2.500%	4/1/2016	37,517	4,651
		2.500%	4/1/2017	42,206	3,653
		2.500%	4/1/2018	42,206	2,599
		2.500%	4/1/2019	42,205	1,544
		2.500%	4/1/2020	40,662	508
				<u>\$ 486,172</u>	<u>\$ 82,991</u>

**Village of Springport**  
Schedule of Bonded Indebtedness  
Water Fund  
February 28, 2008

**Water Revenue Bonds  
Series 2004B**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Payable</u>
2004	\$ 928,000				
		4.500%	1/1/2009	\$ 10,000	\$ 40,050
		4.500%	1/1/2010	11,000	39,600
		4.500%	1/1/2011	11,000	39,106
		4.500%	1/1/2012	12,000	38,610
		4.500%	1/1/2013	12,000	38,070
		4.500%	1/1/2014	13,000	37,530
		4.500%	1/1/2015	13,000	36,946
		4.500%	1/1/2016	14,000	36,360
		4.500%	1/1/2017	15,000	35,730
		4.500%	1/1/2018	15,000	35,056
		4.500%	1/1/2019	16,000	34,380
		4.500%	1/1/2020	17,000	33,660
		4.500%	1/1/2021	18,000	32,896
		4.500%	1/1/2022	18,000	32,086
		4.500%	1/1/2023	19,000	31,276
		4.500%	1/1/2024	20,000	30,420
		4.500%	1/1/2025	21,000	29,520
		4.500%	1/1/2026	22,000	28,576
		4.500%	1/1/2027	23,000	27,586
		4.500%	1/1/2028	24,000	26,550
		4.500%	1/1/2029	25,000	25,470
		4.500%	1/1/2030	26,000	24,346
		4.500%	1/1/2031	28,000	23,176
		4.500%	1/1/2032	29,000	21,916
		4.500%	1/1/2033	30,000	20,610
		4.500%	1/1/2034	31,000	19,260
		4.500%	1/1/2035	32,000	17,866
		4.500%	1/1/2036	34,000	16,426
		4.500%	1/1/2037	35,000	14,896
		4.500%	1/1/2038	37,000	13,320
		4.500%	1/1/2039	39,000	11,656
		4.500%	1/1/2040	40,000	9,900
		4.500%	1/1/2041	42,000	8,100
		4.500%	1/1/2042	44,000	6,210
		4.500%	1/1/2043	46,000	4,230
		4.500%	1/1/2044	48,000	2,160
				<u>\$ 890,000</u>	<u>\$ 923,550</u>



**Village of Springport**  
Schedule of Bonded Indebtedness  
Water Fund  
February 28, 2008

**Water Revenue Bonds  
Series 2004A**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Payable</u>
2004	\$ 125,000				
		4.500%	1/1/2009	\$ 1,000	\$ 5,446
		4.500%	1/1/2010	1,000	5,400
		4.500%	1/1/2011	2,000	5,356
		4.500%	1/1/2012	2,000	5,266
		4.500%	1/1/2013	2,000	5,176
		4.500%	1/1/2014	2,000	5,086
		4.500%	1/1/2015	2,000	4,996
		4.500%	1/1/2016	2,000	4,906
		4.500%	1/1/2017	2,000	4,816
		4.500%	1/1/2018	2,000	4,726
		4.500%	1/1/2019	2,000	4,636
		4.500%	1/1/2020	2,000	4,546
		4.500%	1/1/2021	2,000	4,456
		4.500%	1/1/2022	3,000	4,366
		4.500%	1/1/2023	3,000	4,230
		4.500%	1/1/2024	3,000	4,096
		4.500%	1/1/2025	3,000	3,960
		4.500%	1/1/2026	3,000	3,826
		4.500%	1/1/2027	3,000	3,690
		4.500%	1/1/2028	3,000	3,556
		4.500%	1/1/2029	4,000	3,420
		4.500%	1/1/2030	4,000	3,240
		4.500%	1/1/2031	4,000	3,060
		4.500%	1/1/2032	4,000	2,880
		4.500%	1/1/2033	4,000	2,700
		4.500%	1/1/2034	4,000	2,520
		4.500%	1/1/2035	5,000	2,340
		4.500%	1/1/2036	5,000	2,116
		4.500%	1/1/2037	5,000	1,890
		4.500%	1/1/2038	5,000	1,666
		4.500%	1/1/2039	5,000	1,440
		4.500%	1/1/2040	5,000	1,216
		4.500%	1/1/2041	5,000	990
		4.500%	1/1/2042	5,000	766
		4.500%	1/1/2043	6,000	540
		4.500%	1/1/2044	6,000	270
				<u>\$ 121,000</u>	<u>\$ 123,590</u>



To the Village Council  
of the Village of Springport

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Springport as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

2008-1: The management of the Village has the ability to produce internal reporting that allows for financial management of the day to day operations. However, management relies on the external auditors to prepare its external audit reports. While this may be typical of some smaller municipalities, it is considered a material weakness under SAS 112, which became effective this year.

2008-2: During the course of the audit we proposed several journal entries, which management agreed with and posted to the final general ledger. However, some of thee entries had a material affect on the final financial statements. This is considered a material weakness under SAS 112, which became effective this year.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Of the significant deficiencies described above, we consider Finding 2008-1 and 2008-2 to be material weaknesses.

This communication is intended solely for the information and use of management, the Village Council and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

July 23, 2008

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**WILLIS & JURASEK, P.C.**

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July 23, 2008

To the Village Council  
Village of Springport

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Springport for the year ended February 29, 2008, and have issued our report thereon dated July 23, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

- 1) As stated in our engagement letter dated May 26, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
- 2) As part of our audit, we considered the internal control of the Village of Springport. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- 3) We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters held prior to the audit field work.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Springport are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached adjustments, including some that were material misstatements detected as a result of audit procedures, were corrected by management.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 23, 2008.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Village Council and management of the Village of Springport and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.